## 01082

1989/06/06

Jb1 a4 SECRETARY'S MORNING HUMBERN FOR JUNE 6, 1989

CHINA: DESCENT INTO CHAOS

TOP SECRET/EXDIS

IN THE WESTERN EDGE OF THE CITY, ACCORDING TO PRESS REPORTS, ELEMENTS OF THE 38TH ARMY CLASHED WITH THE 27TH ARMY, WHICH IS BEING BLAMED FOR THE WORST ATROCITIES AGAINST CIVILIANS DURING SATURDAY NIGHT'S ATTACK ON THAT CHINESE TROOPS ARE OUT 61,45 TIANANMEN SQUARE. TOLD OF CONTROL,

THAT AT LEAST SOME OF THE TROOPS STILL ENTERING BEIJING ARE ARRIVING WITHOUT AUTHORIZATION AND ARE INTENT UPON ATTACKING THE 27TH ARMY. AN UNCONFIRMED HONG KONG TELEVISION BROADCAST TODAY REPORTED FIGHTING AT NANYUAN MILITARY AIRPORT, WHERE SEVERAL THOUSAND FRESH TROOPS MAY HAVE ARRIVED TODAY FROM THE NANJING MILITARY REGION, THE NANJING COMMANDER IS BELIEVED TO BE PERSONALLY LOYAL TO DENG. A SECURITY GUARD IN THE GREAT HALL OF THE PEOPLE SHOT PREMIER LI PENG IN THE THIGH YESTERDAY, ACCORDING TO PRESS REPORTS. THE WOULD-BE ASSASSIN WAS IMMEDIATELY KILLED BY SECURITY FORCES. THE REPORT, FROM A RELIABLE HONG KONG NEWSPAPER, WILL GAIN WIDE DISSEMINATION BIAS

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SPORADIC GUNFIRE CONTINUED IN THE CENTER OF BEIJING
YESTERDAY, WITH SOME CIVILIAN CASUALTIES, ACCORDING TO
PRESS REPORTS. TROOPS, SUPPORTED BY TANKS, HAVE TAKEN UP
DEFENSIVE POSITIONS NEAR THE US EMBASSY.

STRIKES AND PROTESTS ARE SPREADING TO OTHER CITIES;

MARTIAL LAW HAS BEEN DECLARED IN CHENGDU WHERE VIOLENT

CLASHES BETWEEN TROOPS AND DEMONSTRATORS HAVE LEFT AT

LEAST 300 DEAD. ACCORDING TO THE CONSULATE GENERAL, ON

MONDAY NIGHT AN ANGRY MOB TRIED TO BREAK INTO THE HOTEL

WHERE THE CONSULATE IS HOUSED, ALTHOUGH LOOTING, RATHER

THAN ATTACKS ON FOREIGNERS, WAS BELIEVED TO BE THE

PURPOSE.

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UNCONFIRMED ACCOUNTS SUGGEST THAT TROOPS ARE POISED

OUTSIDE SHANGHAI TO INTERVENE IF ORDERED, AND THE CITY IS

PARALYZED BY STRIKES AND ROADBLOCKS ERECTED BY

PROTESTERS. DEMONSTRATIONS HAVE ALSO OCCURRED IN

GUANGZHOU AND OTHER CITIES.

LEADERS AND ARMY COMMANDERS WHO HAVE ORDERED OR CONDUCTED ATROCITIES NOW FEEL THEY ARE FIGHTING FOR THEIR LIVES.

THEY HAVE RINGED THE ZHONGNANHAI LEADERSHIP COMPOUND WITH ARMORED VEHICLES AND TROOPS.

CONVOY OF LIMOUSINES LIE MING-buses, ESCORTED BY TANKS,

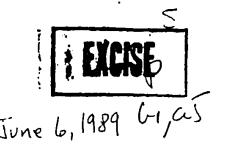
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LEFT ZHONGNANHAI SUNDAY NIGHT FOR A WARTIME COMMAND CENTER
IN THE SUBURBS, ACCORDING TO UNCONFIRMED PRESS REPORTS.

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2. HONG KONG: NO CONFIDENCE IN PRC

TWO HUNDRED THOUSAND DEMONSTRATORS PROTESTED YESTERDAY IN THE STREETS AND HONG KONG STOCKS DROPPED 22 PERCENT IN RESPONSE TO NEWS OF VIOLENCE IN BEIJING, ACCORDING TO CONSULATE GENERAL HONG KONG AND PRESS REPORTS. A GENERAL

SYMPATHY STRIKE REPORTEDLY IS PLANNED FOR TOMORROW.

MASSIVE PROTEST WITHDRAWALS FROM THE PRC-OWNED BANK OF CHINA REQUIRED THE HONG KONG GOVERNMENT TO MAKE EXTRA MONEY AVAILABLE FROM ITS RESERVES. IN THE UK, TORY AND

OPPOSITION POLITICIANS HAVE CALLED ON PRIME MINISTER
THATCHER TO SEEK NEW ASSURANCES FROM BEIJING ON HONG

KONG'S FUTURE.

COMMENT:

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MARKET STABILIZATION IS LIKELY BECAUSE OF GOOD SHORT- AND MEDIUM-TERM PROSPECTS FOR MOST HONG KONG FIRMS' PROFITS, BUT DEVELOPMENTS IN THE PRO HAVE PROBABLY HAD AN

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IRREVERSIBLE IMPACT ON HONG KONG CONFIDENCE AND THE "BRAIN DRAIN."

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Secretary's Morning Summary June 6, 1989		
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3. CHINA: SPLITS IN THE PLA

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SOME CLASHES BETWEEN MILITARY UNITS REPORTEDLY HAVE OCCURRED AND MORE ARE POSSIBLE, ESPECIALLY IF TROOPS ARE ORDERED INTO OTHER CITIES.

COMMANDER-IN-CHIEF . . .

PRESS REPORTS

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INDICATE THAT DENG DA ON SATURDAY WAS PERSONALLY INVOLVED IN ORDERING THE MILI-TARY TO USE WHATEVER FORCE WAS NECESSARY TO BREAK THE BACK OF RESISTANCE IN TIANANMEN SQUARE. THE DECISION FOLLOWED AN ATTEMPT ON SATURDAY BY SEVERAL THOUSAND UNARMED TROOPS TO ENTER THE SQUARE; WHEN THEY WERE BLOCKED BY PROTESTERS, ARMED UNITS WERE DEPLOYED WITH ORDERS TO AVOID BLOODSHED IF POSSIBLE. AFTER THEY ENCOUNTERED RESISTANCE, TOP LEADERS ORDERED THEM TO USE DEADLY FORCE.

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DENG'S HEALTH REMAINS UNCERTAIN, AND RUMORS ARE CIRCULAT-ING THAT HE HAS DIED.

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ONE HONG KONG

NEWSPAPER SAYS EMBASSIES ABROAD HAVE BEEN TOLD TO EXPECT HIS DEATH WITHIN A FEW DAYS. DENG HAS NOT APPEARED IN PUBLIC SINCE HE MET GORBACHEV ON MAY 16.

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ACCORDING TO UNCONFIRMED HONG KONG PRESS
ACCOUNTS, MARSHAL NIE RONGZHEN TRIED TO CALL DENG IN
PROTEST OVER THE CRACKDOWN, BUT WAS REFUSED ACCESS. HE
THEN CALLED THE MILITARY COMMISSION TO DENOUNCE YANG AS A
"TRAITOR TO THE ARMY."

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CLASHES

REPORTS OF CLASHES BETWEEN ARMY UNITS, OR BETWEEN ARMY AND POLICE, ARE WIDESPREAD. DURING THE MASSACRE ON

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SATURDAY NIGHT JOURNALISTS REPORTED HEARING SOME SOLDIERS TELLING STUDENTS THEY HAD NOT BEEN ISSUED AMMUNITION OR THEY WOULD HAVE FIRED ON OTHER ARMY UNITS.

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THAT SOME UNITS WERE IN FACT SENT IN WITHOUT AMMUNITION. THAT ELEMENTS

OF THE 27TH ARMY SKIRMISHED WITH ELEMENTS OF THE 16TH AND 38TH ARMIES, AND PRESS REPORTS SUGGEST THAT IN AT LEAST ONE INSTANCE POLICE MAY HAVE OPENED FIRE ON ARMY UNITS. THE LARGE NUMBER OF ARMORED VEHICLES AND MILITARY TRUCKS DESTROYED BY PROTESTERS SUGGEST COLLUSION BY TROOPS IN AT LEAST SOME CASES. IN ONE INSTANCE TROOPS DISMOUNTED FROM A CONVOY OF SCORES OF VEHICLES AND DID NOT TRY TO PREVENT CIVILIANS FROM BURNING THEM, ACCORDING TO UNCONFIRMED RUMORS.

## OUTLOOK

PRESS REPORTS INDICATE MILITARY UNITS HAVE CLASHED WITH PROTESTERS IN CHENGDU AND CHONGQING. CONVOYS HAVE BEEN SEEN IN OTHER AREAS, AND AN UNCONFIRMED HONG KONG PRESS REPORT SAYS ORDERS HAVE BEEN ISSUED TO MILITARY REGION COMMANDERS TO PREPARE TO DEPLOY TROOPS IN SHANGHAI, NANJING, CHANGSHA, WUHAN, AND GUANGZHOU.

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